



# 中國基礎能源控股有限公司 China Primary Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8117)



INTERIM REPORT  
2023

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*This report, for which the directors (the “Directors”) of CHINA PRIMARY ENERGY HOLDINGS LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

***HIGHLIGHTS***

Total revenue was approximately HK\$95,369,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$109,871,000), representing a decrease of approximately 13.2% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$7,087,000 (six months ended 30 June 2022: loss of approximately HK\$14,006,000).

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

***UNAUDITED RESULTS***

The board of Directors (the “Board”) of China Primary Energy Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2023 together with the comparative figures as follows. The consolidated interim financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2023	2022	2023	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	28,834	34,131	95,369	109,871
Other income and gains and losses	3	982	431	2,276	415
Changes in inventories of finished goods		(21,905)	(29,461)	(71,881)	(85,201)
Staff costs, including directors' remuneration		(3,485)	(4,911)	(10,279)	(10,611)
Depreciation		(3,517)	(4,122)	(7,125)	(8,631)
Amortisation of other intangible assets		(94)	(94)	(189)	(189)
Reversal of impairment loss on trade receivables, net		1,103	-	1,103	-
Other operating expenses	5	(4,901)	(6,710)	(10,254)	(13,211)
Finance costs	4	(2,746)	(3,243)	(6,145)	(6,586)
Loss before income tax	5	(5,729)	(13,979)	(7,125)	(14,143)
Income tax	6	-	-	-	-
Loss for the period		<u>(5,729)</u>	<u>(13,979)</u>	<u>(7,125)</u>	<u>(14,143)</u>
Attributable to:					
Owners of the Company		(5,183)	(11,501)	(7,087)	(14,006)
Non-controlling interests		<u>(546)</u>	<u>(2,478)</u>	<u>(38)</u>	<u>(137)</u>
Loss for the period		<u>(5,729)</u>	<u>(13,979)</u>	<u>(7,125)</u>	<u>(14,143)</u>

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	Note	Three months ended		Six months ended	
		30 June		30 June	
		2023	2022	2023	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		<u>(20,391)</u>	<u>(20,799)</u>	<u>(16,497)</u>	<u>(18,147)</u>
Other comprehensive income for the period		<u>(20,391)</u>	<u>(20,799)</u>	<u>(16,497)</u>	<u>(18,147)</u>
Total comprehensive income for the period		<u><u>(26,120)</u></u>	<u><u>(34,778)</u></u>	<u><u>(23,622)</u></u>	<u><u>(32,290)</u></u>
Total comprehensive income attributable to:					
Owners of the Company		<u>(22,954)</u>	<u>(30,177)</u>	<u>(21,411)</u>	<u>(30,254)</u>
Non-controlling interests		<u>(3,166)</u>	<u>(4,601)</u>	<u>(2,211)</u>	<u>(2,036)</u>
		<u><u>(26,120)</u></u>	<u><u>(34,778)</u></u>	<u><u>(23,622)</u></u>	<u><u>(32,290)</u></u>
Losses per share	8				
– Basic		<u><u>HK\$(0.005)</u></u>	<u><u>HK\$(0.014)</u></u>	<u><u>HK\$(0.007)</u></u>	<u><u>HK\$(0.014)</u></u>
– Diluted		<u><u>HK\$(0.005)</u></u>	<u><u>HK\$(0.014)</u></u>	<u><u>HK\$(0.007)</u></u>	<u><u>HK\$(0.014)</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION**

		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>354,707</b>	315,692
Investment properties		<b>199,209</b>	208,492
Goodwill		<b>15,025</b>	15,725
Other intangible assets		<b>329</b>	517
Prepayment for property, plant and equipment		<b>10,241</b>	10,719
Equity instruments measured at fair value through other comprehensive income ("FVTOCI")		<b>13,376</b>	13,376
<b>Total non-current assets</b>		<b>592,887</b>	564,521
<b>Current assets</b>			
Inventories		<b>6,833</b>	8,140
Trade receivables	<i>10</i>	<b>6,093</b>	18,732
Other receivables, deposits and prepayments		<b>31,881</b>	57,390
Investments held for trading		<b>36</b>	43
Pledged bank deposit		<b>–</b>	56,536
Cash and cash equivalents		<b>64,664</b>	33,159
<b>Total current assets</b>		<b>109,507</b>	174,000
<b>Total assets</b>		<b>702,394</b>	738,521
<b>Current liabilities</b>			
Trade payables	<i>11</i>	<b>16,257</b>	12,473
Other payables and accruals		<b>33,013</b>	52,342
Loans from a major shareholder		<b>959</b>	1,325
Lease liabilities		<b>1,242</b>	1,805
Borrowings	<i>12</i>	<b>92,857</b>	224,469
Tax payable		<b>6,853</b>	7,133
<b>Total current liabilities</b>		<b>151,181</b>	299,547
<b>Net current liabilities</b>		<b>(41,674)</b>	(125,547)

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		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Loans from a major shareholder		<b>37,943</b>	34,631
Deferred tax liabilities		<b>24,675</b>	25,825
Lease liabilities		<b>3,959</b>	4,131
Borrowings	<i>12</i>	<b>172,840</b>	38,969
<b>Total non-current liabilities</b>		<b>239,417</b>	103,556
<b>Total liabilities</b>		<b>390,598</b>	403,103
<b>NET ASSETS</b>		<b>311,796</b>	335,418
<b>Equity</b>			
Share capital	<i>13</i>	<b>63,999</b>	63,999
Reserves		<b>200,568</b>	221,979
<b>Equity attributable to owners of the Company</b>		<b>264,567</b>	285,978
<b>Non-controlling interests</b>		<b>47,229</b>	49,440
<b>TOTAL EQUITY</b>		<b>311,796</b>	335,418

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Equity attributable to owners of the Company										
	Share capital	Share premium account	Statutory surplus reserve	Exchange translation reserve	Share option reserve	Property revaluation reserve	Financial assets at FVTOCI	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 31 December 2021 and at 1 January 2022 (audited)</b>	63,999	727,375	5,109	51,224	24,066	34,512	1,210	(584,109)	323,386	42,807	366,193
Loss for the period	-	-	-	-	-	-	-	(14,006)	(14,006)	(137)	(14,143)
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	-	(16,248)	-	-	-	-	(16,248)	(1,899)	(18,147)
Total comprehensive income	-	-	-	(16,248)	-	-	-	(14,006)	(30,254)	(2,036)	(32,290)
<b>Balance at 30 June 2022 (unaudited)</b>	63,999	727,375	5,109	34,976	24,066	34,512	1,210	(598,115)	293,132	40,771	333,903

	Equity attributable to owners of the Company										
	Share capital	Share premium account	Statutory surplus reserve	Exchange translation reserve	Share option reserve	Property revaluation reserve	Financial assets at FVTOCI	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 31 December 2022 and at 1 January 2023 (audited)</b>	63,999	727,375	5,109	19,620	-	34,512	5,261	(569,898)	285,978	49,440	335,418
Loss for the period	-	-	-	-	-	-	-	(7,087)	(7,087)	(38)	(7,125)
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	-	(14,324)	-	-	-	-	(14,324)	(2,173)	(16,497)
Total comprehensive income	-	-	-	(14,324)	-	-	-	(7,087)	(21,411)	(2,211)	(23,622)
<b>Balance at 30 June 2023 (unaudited)</b>	63,999	727,375	5,109	5,296	-	34,512	5,261	(576,985)	264,567	47,229	311,796



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Six months ended 30 June 2023 <i>HK\$'000</i>	Six months ended 30 June 2022 <i>HK\$'000</i>
Net cash generated from operating activities	16,290	11,503
Net cash used in investing activities	(39,015)	(14,485)
Net cash generated from financing activities	<u>55,596</u>	<u>17,545</u>
Net increase in cash and cash equivalents	32,871	14,563
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>33,159</b>	<b>111,700</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<u>(1,366)</u>	<u>(5,060)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>64,664</u></b>	<b><u>121,203</u></b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	<u>64,664</u>	<u>121,203</u>

## ***NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***

### **1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES**

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Room 518, 5/F, Tower B, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in the transmission and distribution of natural gas, sales of heat and biomass gasification related products and property investment primarily in the People's Republic of China ("PRC").

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The unaudited condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The accounting policies adopted in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

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In this reporting period, the Group had applied for the first time, a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2023. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods as prepared and presented.

### 2. REVENUE

An analysis of the Group's revenue is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers				
Transmission and distribution of natural gas	<b>18,819</b>	22,983	<b>75,170</b>	89,350
Sale of heat and biomass gasification related products	<b>6,114</b>	7,499	<b>12,499</b>	13,025
Revenue from other sources				
Gross rental income	<b>3,901</b>	3,649	<b>7,700</b>	7,496
	<b>28,834</b>	34,131	<b>95,369</b>	109,871



3. OTHER INCOME AND GAINS AND LOSSES

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	118	28	622	38
Sundry income	767	424	1,556	797
Exchange losses, net	105	–	105	(390)
Fair value loss on investments held for trading	(8)	(21)	(7)	(30)
	<u>982</u>	<u>431</u>	<u>2,276</u>	<u>415</u>

4. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	1,512	2,060	3,711	4,283
Interest on loans from a major shareholder	1,205	1,118	2,367	2,214
Interest on lease liabilities	29	65	67	89
	<u>2,746</u>	<u>3,243</u>	<u>6,145</u>	<u>6,586</u>

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment				
– owned	<b>3,019</b>	3,660	<b>6,319</b>	7,423
– right-of-use assets	<b>498</b>	462	<b>806</b>	1,208
	<b>3,517</b>	4,122	<b>7,125</b>	8,631
Items included in other operating expenses:				
Short-term lease expenses	<b>66</b>	216	<b>233</b>	549
Building management fees for self-used office premises	<b>88</b>	97	<b>180</b>	168
Investment property management fees	<b>653</b>	789	<b>1,326</b>	1,606
Entertainment and trip expenses	<b>1,069</b>	887	<b>1,323</b>	2,156
Legal and professional fees	<b>316</b>	315	<b>321</b>	753
Research and development expenses	<b>159</b>	197	<b>220</b>	315
Motor vehicle expenses	<b>445</b>	955	<b>1,000</b>	1,583
Other tax expenses	<b>759</b>	546	<b>1,599</b>	1,569



6. INCOME TAX

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Total income tax for the period	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

No provision has been made for Hong Kong profits tax as the Group has no assessable profit arising from Hong Kong subsidiaries during the current and prior periods.

In accordance with the PRC Enterprise Income Tax Law approved by the National People’s Congress on 16 March 2007 and became effective from 1 January 2008, the Company’s subsidiaries in the PRC are subject to enterprise income tax (“EIT”) at the unified EIT rate of 25%.

7. DIVIDEND

The board of directors does not recommend the payment of any dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

8. LOSSES PER SHARE

The calculation of the basic and diluted losses per share attributable to owners of the Company is based on the following data:

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Losses				
Losses for the period attributable to owners of the Company	<u>(5,183)</u>	<u>(11,501)</u>	<u>(7,087)</u>	<u>(14,006)</u>

	Three months ended		Six months ended	
	30 June		30 June	
	Number of shares		Number of shares	
	2023	2022	2023	2022
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	<u>1,023,987</u>	<u>1,023,987</u>	<u>1,023,987</u>	<u>1,023,987</u>

The computation of diluted losses per share for the six months ended 30 June 2023 and 2022 does not assume the exercise of the Company's outstanding share options during the periods since their exercise price exceeds average market price during 2023 and 2022.

Accordingly, the basic and diluted losses per share for the six months ended 30 June 2023 and 2022 are the same.



9. REPORTABLE SEGMENTS

For the six months ended 30 June 2023

	Transmission and distribution of natural gas <i>HK\$'000</i> (Unaudited)	Sales of heat and biomass gasification related products <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	75,170	12,499	7,700	95,369
Reportable segment profit/(loss)	1,239	1,492	(2,849)	(118)
Reportable segment assets	264,989	105,873	234,634	605,496
Reportable segment liabilities	(190,712)	(27,871)	(47,842)	(266,425)
Other segment information:				
Bank interest income	183	5	8	196
Unallocated				426
Total bank interest income				622
Depreciation	(4,252)	(630)	(1,841)	(6,723)
Unallocated				(402)
Total depreciation				(7,125)
Amortisation of other intangible assets	(189)	-	-	(189)
Additions to non-current assets	51,472	4,138	185	55,795



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For the six months ended 30 June 2022

	Transmission and distribution of natural gas <i>HK\$'000</i> (Unaudited)	Sales of heat and biomass gasification related products <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	89,350	13,025	7,496	109,871
Reportable segment profit/(loss)	2,868	(3,870)	823	(179)
Reportable segment assets	202,087	107,739	260,055	569,881
Reportable segment liabilities	(159,560)	(17,849)	(55,684)	(233,093)
Other segment information:				
Bank interest income	10	4	2	16
Unallocated				22
Total bank interest income				38
Depreciation	(4,882)	(233)	(3,057)	(8,172)
Unallocated				(459)
Total depreciation				(8,631)
Amortisation of other intangible assets	(189)	–	–	(189)
Additions to non-current assets	1,288	11,497	1,700	14,485

10. TRADE RECEIVABLES

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables	<b>12,869</b>	26,893
Less: provision for impairment	<b>(6,776)</b>	(8,161)
	<b><u>6,093</u></b>	<b><u>18,732</u></b>

- (a) For the business of transmission and distribution of natural gas and sale of heat and biomass gasification related products, credit terms are within 30 days to 60 days. For the business of property investment, the Group granted a credit period of 30 days to the tenants. The Group sets a maximum credit limit for each customer and seeks to maintain strict control over its outstanding receivables. The sales department and the management of the responsible department for the sales together perform the credit control function to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management.
- (b) The table below reconciled the provision for impairment loss of trade receivables for the period:

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
At beginning of the period/year	<b>8,161</b>	8,755
(Reversal of impairment loss)/impairment loss, net	<b>(1,103)</b>	28
Exchange realignment	<b>(282)</b>	(622)
	<b><u>6,776</u></b>	<b><u>8,161</u></b>

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- (c) An ageing analysis of the trade receivables (net of impairment loss) as at the end of reporting period, based on the invoice dates, is as follows:

	<b>30 June 2023</b>	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Within 30 days	<b>4,600</b>	18,421
31 – 60 days	<b>594</b>	–
61 – 90 days	<b>415</b>	–
Over 90 days	<b>484</b>	311
	<b>6,093</b>	18,732
	<b>6,093</b>	18,732

- (d) An ageing analysis of trade receivables (net of impairment loss) that are neither individually nor collectively considered to be impaired is as follows:

	<b>30 June 2023</b>	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Not past due	<b>2,721</b>	18,421
Less than 31 days past due	<b>1,965</b>	–
31 – 60 days past due	<b>507</b>	–
61 – 90 days past due	<b>415</b>	–
Over 90 days but less than 1 year past due	<b>81</b>	311
More than 1 year past due	<b>404</b>	–
	<b>3,372</b>	311
	<b>6,093</b>	18,732



**11. TRADE PAYABLES**

An ageing analysis of trade payables, based on the invoice dates, is as follows:

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Within 30 days	<b>9,951</b>	7,931
31 – 60 days	<b>697</b>	59
61 – 90 days	<b>205</b>	2,367
Over 90 days	<b>5,404</b>	2,116
	<u><b>16,257</b></u>	<u>12,473</u>

**12. BORROWINGS AND BANK LOAN FACILITIES**

(a) The Group had the following interest-bearing borrowings at the end of the reporting period:

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current</b>		
– secured bank term loans	<b>91,096</b>	88,689
– unsecured bank loans	<b>1,761</b>	84,898
– secured bank revolving loans	<b>–</b>	50,882
	<u><b>92,857</b></u>	<u>224,469</u>
<b>Non-current</b>		
– secured bank term loans	<b>172,840</b>	38,969
– unsecured bank loan	<b>–</b>	–
	<u><b>172,840</b></u>	<u>38,969</u>
<b>Total</b>	<u><b>265,697</b></u>	<u>263,438</u>

The bank loans were secured by the following:

- (i) Certain investment properties;
- (ii) Certain property, plant and equipment;
- (iii) Pledged bank deposit;
- (iv) Corporate guarantee by a subsidiary of the Company;
- (v) Corporate guarantee by a non-controlling shareholder;
- (vi) Corporate guarantees by certain independent third parties;
- (vii) Legal charge over properties of Ms. Ma Zheng, a major shareholder and director of the Company; and
- (viii) Personal guarantees by directors of subsidiaries, Mr. Wei Bu Ti and Mr. Yan Yong and their spouses.

As at 30 June 2023, the effective interest rate of the interest-bearing borrowing was 4.624% per annum (2022: 4.675% per annum).

The carrying amounts of all borrowings are carried at amortised cost and approximate their fair values which carry interest at fixed rates.

The carrying amounts of the borrowings are denominated in RMB.



**13. SHARE CAPITAL**

	<b>Number of Shares</b>	<b>Amount</b>
	<i>'000</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.0625 each at 31 December 2022, 1 January 2023 and 30 June 2023	1,920,000	120,000
	<u>1,920,000</u>	<u>120,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.0625 each at 31 December 2022, 1 January 2023 and 30 June 2023	1,023,987	63,999
	<u>1,023,987</u>	<u>63,999</u>

**14. OPERATING LEASES**

**As lessor**

At the end of each reporting period, the undiscounted lease payments receivable by the Group in future periods in respect of leased properties under non-cancellable lease as follows:

	<b>30 June 2023</b>	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Within one year	<b>15,065</b>	16,181
Later than one year and not later than two years	<b>16,607</b>	17,381
Later than two years and not later than three years	<b>13,838</b>	14,908
Later than three years and not later than four years	<b>15,622</b>	16,481
Later than four years and not later than five years	<b>12,270</b>	13,607
Over five years	<b>20,494</b>	34,480
	<u>93,896</u>	<u>113,038</u>
	<u>93,896</u>	<u>113,038</u>

15. CAPITAL COMMITMENTS

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Contracted for but not provided:		
– acquisition of property, plant and equipment	<b>87,910</b>	131,364
	<u><u>87,910</u></u>	<u><u>131,364</u></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND FUTURE OUTLOOK**

Total revenue of the Group for the six months ended 30 June 2023 decrease approximately by 13.2% when compared to the corresponding period in 2022. Such decrease was mainly due to the reduced sale price of natural gas in 2023 when compared to the same period in 2022. With the total recovery from the impact of COVID-19 (the “Pandemic”) of the People’s Republic of China (the “PRC”) and the whole world, our businesses in the PRC were benefited and were growing steadily. Moreover, the increase in demand of the clean energy in the PRC was an important factor that motivated the growth of the natural gas business.

The natural gas business is still the core business of the Group. Operating scale of the natural gas business segment continued to be stable in 2023. The government of the PRC is implementing the policies to encourage the use of clean energy in the PRC and the board (the “Board”) of directors (the “Director(s)”) considered the prospect of natural gas business is bright. Those policies included the use of natural gas for vehicles and industrial users, the set up of the natural gas network department, etc. The Group operated the natural gas business in various areas and provinces in the PRC in 2023. Our customers are mostly industrial customers.

The biomass gasification heating supply business in Huaining County, Anhui Province grew stable in 2023. With the great demand of heat supply in the relevant area in Huaining County, the Group expects the segment will generate considerable revenue for the Group. Since part of the factory construction and operation was not yet finished, the revenue generated was not able to cover the operating costs yet. At such, loss incurred in 2023 for this segment. The situation will be improved with the proceed of the construction.

The property investment business in Yichang provide stable cash inflow during the period under review. The area of our investment properties is the industrial park for manufacturing of vehicle which was developed by the Yichang government. Therefore, all of our tenants are manufacturers of vehicle parts. Since the industry is supported and developed by the Yichang government, we believe the property investment business will continue to be one of the major segments of the Group.



The negative effect of the outbreak of the Pandemic continued to affect the global economy and to most of the industries. The recovery of the world economy takes time. Luckily, the impact of the Pandemic to the Group was not so direct and significant as our business of natural gas distribution and property investment relied more on customers' internal demand and natural gas is necessity. Nevertheless, the Company will closely monitor the situation and assess if there is any impact on the Group's operations and operating results.

In view of the unstable global economy, the Board and management will be more careful and prudent in managing the operations of the Group. In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value.

### ***FINANCIAL REVIEW***

Total revenue was approximately HK\$95,369,000 for the six months ended 30 June 2023, which represented a decrease of approximately 13.2% when compared with approximately HK\$109,871,000 in the corresponding period of last year's total revenue. The Board believes that revenue of the Group will be improved with the growing of the clean energy business.

For the six months ended 30 June 2023, unaudited loss before income tax was approximately HK\$7,125,000 (six months ended 30 June 2022: loss of approximately HK\$14,143,000). The loss attributable to owners of the Company was approximately HK\$7,087,000 (six months ended 30 June 2022: loss of approximately HK\$14,006,000). The loss was decreased when compared to the corresponding period of last year because of the improved performance and profit margin of the business segments of the Group. In the current economic environment, the Board will continue to exercise stringent cost control and maintain a low and effective overheads structure and prudently utilise the Group's corporate resources to create wealth for the shareholders.

## ***BUSINESS OUTLOOK AND PROSPECTS***

From 2023 onwards, the Board is optimistic that the Group will perform much better with the expansion of the energy segment. Currently, the energy segment mainly consists of the natural gas business and biomass gasification heating business. The Group has developed a natural gas sales network of certain scale. The network is still expanding and with the clean energy policy carried out by the PRC government, the management believes the natural gas business will grow steadily under the current economic environment and significant revenue will be contributed by the natural gas business. The energy segment will expand and continue to be the core business segment of the Group.

The land and properties in Yichang will continue to be let out to generate rental income.

### **Liquidity and financial resources**

As at 30 June 2023, the Directors anticipated that the Group has adequate financial resources to meet its ongoing operations and future development.

### **Funding activities**

Save as disclosed above, the Company did not carry out any fund raising activities during the period under review.

### **Employee information**

As at 30 June 2023, the Group has 9 full-time employees working in Hong Kong and 148 full-time employees working in the PRC respectively. The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2023 amounted to approximately HK\$10,279,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

### **Capital structure**

The ordinary shares of the Company were listed on the GEM of the Stock Exchange on 13 December 2001. There has been no change in the capital structure of the Company during the period under review.

### **Significant investments**

Save as disclosed above, for the period under review, the Group had no other significant investments.

### **Material acquisition and disposal of subsidiaries and affiliated companies/ future plans for material investments**

Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies during the six months ended 30 June 2023.

### **Segment information**

Details have been set out in note 9 under “Notes to the unaudited condensed consolidated financial statements” and further elaborated under “Business review and future outlook” of this section.

### **Charge on group assets and contingent liabilities**

As at 30 June 2023, certain of the Group’s investment properties, land use rights and trade receivables were pledged as security for the Group’s borrowings, and the Group did not have any significant liabilities.

### **Gearing ratio**

As at 30 June 2023, current assets of the Group amounted to approximately HK\$109,507,000 which included cash of approximately HK\$500,000 and approximately RMB59,391,000, while current liabilities stood at approximately HK\$151,181,000. The Group had external borrowings of approximately HK\$265,697,000. Equity attributable to owners of the Company amounted to approximately HK\$264,567,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 100.4% (borrowings to equity attributable to owners of the Company) as of 30 June 2023.

### **Exposure to fluctuations in exchange rates**

Sales and payment of the Group are denominated in Hong Kong dollars and Renminbi (“RMB”). The Group’s cash and bank deposit were mainly denominated in Hong Kong dollars and RMB, and the business is mainly operated in Hong Kong and the PRC. The only foreign currency exposure comes mainly from the funds movement between Hong Kong and the PRC. With the anticipated stability of RMB in the long term, the Group’s foreign currency exposure was minimal for the period under review, except for certain material purchases. No hedging or other alternatives had been implemented for foreign currency exposure. However, the Group will continue to monitor closely the exchange rate movements and will enter into hedging arrangements in future if necessary.

### ***DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION***

As at 30 June 2023, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

The approximate percentage of interests set out below is based on 1,023,987,439 ordinary shares in issue as at 30 June 2023.

Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 June 2023:

Name of Directors	Number of ordinary shares held		Approximate percentage of interests
	Type of interests	Number of ordinary shares	
Ms. Ma Zheng	Beneficial	371,301,632	36.26%
Mr. Yuan Geng	Beneficial	20,350,633	1.99%

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company had any other interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

### ***SHARE OPTION***

A share option scheme (the “Share Option Scheme”) was adopted by the shareholders of the Company at the annual general meeting of the Company (the “2022 AGM”) held on 17 May 2022 (the “Adoption Date”).

The Share Option Scheme which complies with Chapter 23 of the GEM Listing Rules. The Share Option Scheme is valid and effective for a period of ten years commencing on the Adoption Date.

The purpose of the Share Option Scheme is to provide incentives and/or rewards to Eligible Participants (as defined below) for their contribution to the growth of the Group and continuing efforts to promote the interests of the Group, and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants.

The definition of Eligible Participants in the Share Option Scheme include full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary) and any suppliers, consultants, agents and advisers who, in the reasonable discretion of the Board, has contributed or may contribute to the Group eligible for options (the “Options”) under the Share Option Scheme.

Whilst the scope of the Eligible Participants does not limit to the employees and directors of the Group, the Company considers that there can be circumstances when the other Eligible Participants would make contribution to the Group. As the purpose of the Share Option Scheme is to recognise contributions made and to be made to the growth and development of the Group, the Company is of the view that the wide scope of Eligible Participants will allow flexibility to provide incentives to those Eligible Participants who will contribute to the Group. Granting Options to suppliers and agents of the Group will assist the Group to build its business network and consultants and advisers of the Group may provide valuable advices to the Group and they can be eligible to the Options in light of such advices. The Company will not grant Options to persons who would not or may not contribute to the Group.

The rules of the Share Option Scheme provide that the Company may specify the Eligible Participants to whom Options shall be granted, the number of Shares subject to each Option and the date on which the Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the Share Option Scheme. There is no performance target specified in the Share Option Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage Eligible Participants to acquire proprietary interests in the Company.

Subject to the obtaining of Shareholders' approval with respect to the adoption of the Share Option Scheme at the 2022 AGM, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and another other schemes must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date unless the Company obtains a fresh approval from Shareholders to renew the 10% Scheme Mandate Limit (as defined in the Share Option Scheme) on the basis that the maximum number of Shares in respect of which Options may be granted under the Share Option Scheme together with any Options outstanding and yet to be exercised under the Share Option Scheme and any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. Having taken into accounts of the outstanding Options, which are less than 10% of the total number of shares in issue, the Company is of the view that the 30% threshold requirement can be met.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day, (ii) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant. The life of the Share Option Scheme shall be for ten years commencing from the Adoption Date. A nominal value of HK\$1.00 is payable on acceptance of each grant of share options.

No Options were granted by the Company and no Options were exercised during the period under review.

### ***SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY***

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 June 2023, the Company had been notified that the following substantial shareholders having the following interests and short positions, being 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, in the Company. These interests are shown in addition to those disclosed above in respect of the Directors and chief executives:

**CHINA PRIMARY ENERGY HOLDINGS LIMITED**

The approximate percentage of interests set out below is based on 1,023,987,439 ordinary shares in issue as at 30 June 2023.

Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 June 2023:

<b>Name of shareholders</b>	<b>Type of interests</b>	<b>Number of the shares held</b>	<b>Approximate percentage of interests</b>
Ms. Guo Xiuqin	Corporate	123,867,678	12.10%
Tung Shing Energy Investment Limited	Corporate	123,867,678	12.10%
Excel Sino Investments Limited	Beneficial ( <i>Note 1</i> )	123,867,678	12.10%
Mr. Ji Shengzhi	Corporate	110,000,000	10.74%
Ms. Lu Ke	Corporate	110,000,000	10.74%
Ultra Vantage Holdings Limited	Beneficial ( <i>Note 2</i> )	110,000,000	10.74%
萬科企業股份有限公司	Corporate	93,089,767	9.09%
成都萬科房地產有限公司	Corporate	93,089,767	9.09%
Chogori Investment (Hong Kong) Limited	Corporate	93,089,767	9.09%
Winsteria (BVI) Company Limited	Corporate	93,089,767	9.09%
Winmaxi (BVI) Company Limited	Beneficial ( <i>Note 3</i> )	93,089,767	9.09%



*Notes:*

1. Excel Sino Investments Limited, a company incorporated in the British Virgin Islands with limited liability, is beneficially owned as to 80% by Tung Shing Energy Investment Limited, a company incorporated in the British Virgin Islands (which in turn is 100% beneficially owned by Ms. Guo Xiuqin), and as to the remaining 20% by an independent investor. Tung Shing Energy Investment Limited and Ms. Guo Xiuqin are deemed to be interested in these underlying shares under SFO.
2. Ultra Vantage Holdings Limited, a company incorporated in Samoa with limited liability, is jointly owned by Ms. Lu Ke and Mr. Ji Shengzhi. Ms. Lu Ke and Mr. Ji Shengzhi are deemed to be interested in these underlying shares under SFO.
3. Winmaxi (BVI) Company Limited (“Winmaxi”) is a company incorporated in the British Virgin Islands with limited liability and is a subsidiary of China Vanke Co., Ltd.# (萬科企業股份有限公司), a company listed on The Stock Exchange of Hong Kong Limited.

Winmaxi is wholly-owned by Winsteria (BVI) Company Limited, which in turn is wholly-owned by Chogori Investment (Hong Kong) Limited, which in turn is wholly-owned by 成都萬科房地產有限公司, while 成都萬科房地產有限公司 is a controlling subsidiary of 萬科企業股份有限公司.

Save as disclosed above, as at 30 June 2023, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who had an interest, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or any other substantial shareholders whose interests or short position were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### ***DIRECTORS' RIGHTS TO ACQUIRE SHARES***

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### ***COMPETITION AND CONFLICT OF INTERESTS***

During the period under review, none of the Directors, significant shareholders, substantial shareholders and any of their respective associates had engaged in any business that competed or might compete directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group.

### ***AUDIT COMMITTEE***

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provisions D.3.3 and D.3.7 of the Corporate Governance Code. The primary role and function of the Audit Committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. During the period under review, the Audit Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Sung Ren Keh who are the independent non-executive Directors of the Company. Mr. Sung Ren Keh appointed as independent non-executive Director of the Company on 1 March 2023. Mr. Wang Xiao Bing, independent non-executive Director of the Company, resigned on 1 March 2023. The Audit Committee has reviewed the Group's unaudited results for the three months and six months ended 30 June 2023 and has provided advice and comments thereon.

### ***REMUNERATION COMMITTEE***

The remuneration committee of the Company (the “Remuneration Committee”) was established on 1 June 2005. The primary role and function of the Remuneration Committee is to consider and recommend to the Board on the Group’s remuneration policy and structure for the remuneration of all executive Directors and senior management and to review and determine the remuneration packages of the executive Directors and senior management. During the period under review, the Remuneration Committee comprises three members, Mr. Chung Chin Keung, Mr. Wan Tze Fan Terence and Mr. Sung Ren Keh who are the independent non-executive Directors of the Company. Mr. Sung Ren Keh appointed as independent non-executive Director of the Company on 1 March 2023. Mr. Wang Xiao Bing, independent non-executive Director of the Company, resigned on 1 March 2023.

### ***NOMINATION COMMITTEE***

The nomination committee of the Company (the “Nomination Committee”) was established on 22 March 2012. The primary role and function of the Nomination Committee, among other things, are to (i) review the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy; (ii) assess the independence of the independent non-executive Directors; and (iii) make recommendations to the Board on appointment and re-appointment of Directors. During the period under review, the Nomination Committee comprises three members, Mr. Chung Chin Keung, Mr. Wan Tze Fan Terence and Mr. Sung Ren Keh who are the independent non-executive Directors of the Company. Mr. Sung Ren Keh appointed as independent non-executive Director of the Company on 1 March 2023. Mr. Wang Xiao Bing, independent non-executive Director of the Company, resigned on 1 March 2023.

### ***PURCHASE, SALE OR REDEMPTION OF SECURITIES***

The Company had not redeemed any of its ordinary shares during the six months ended 30 June 2023. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s ordinary shares during the six months ended 30 June 2023.

## ***COMPLIANCE WITH CORPORATE GOVERNANCE CODE***

The Company applied the principles and complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2023 save for the following.

### **Code Provision C.2.1**

Code Provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

During the period under review, the Group still did not have an officer with the title of “Chief Executive” (the “CE”). The Code envisages that the management of the Board should rest with the Chairman, whereas the day-to-day management of the Company’s business should rest with the CE. Ms. Ma Zheng, the Chairman, is also a director of some of the Company’s operating subsidiaries. This constitutes a deviation of Code Provision C.2.1. The Board still holds the view that this arrangement is appropriate for the Company but the Company does not compromise accountability and independent decision making for this since the Group has the Audit Committee, all members of which are independent non-executive Directors, to help to ensure the accountability and independence of Ms. Ma Zheng.

***CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS  
BY DIRECTORS***

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 June 2023.

By Order of the Board  
**China Primary Energy Holdings Limited**  
**Ma Zheng**  
*Chairman*

Hong Kong, 9 August 2023

# *For identification only*

*As at the date of this report, the Board comprises Ms. MA Zheng and Mr. YUAN Geng who are the executive Directors, Mr. JI Jianghua who is the non-executive Director, and Mr. WAN Tze Fan Terence, Mr. CHUNG Chin Keung and Mr. SUNG Ren Keh who are the independent non-executive Directors.*